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UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF WASHINGTON
YAKIMA DIVISION

In re:

CITY OF CLE ELUM,
Debtor.

Case No.

STATEMENT OF QUALIFICATIONS
UNDER 11 U.S.C. § 109(c)

City of Cle Elum (the “City”) hereby certifies its qualification to be a debtor under section 109(c) of the Bankruptcy Code as follows:

1. The City is a “municipality” as defined in section 101(40) of the Bankruptcy Code.

2. The City is specifically authorized, in its capacity as a municipality, to be a debtor under Chapter 9 of the Bankruptcy Code by the laws of the State of Washington. See RCW 39.64.020 and RCW 39.64.040. Furthermore, the City’s City Council has adopted a resolution authorizing the filing of a Chapter 9 petition as required by RCW 39.64.050.

3. The City is “insolvent” within the meaning of section 101(32)(C)(ii) of the Bankruptcy Code. City Heights Holdings, LLC (“CHH”) holds a judgment against the City in the amount of \$25,997,198.38 as of May 12, 2025 (the “Judgment”), which continues to accrue in interest at the rate of 12% per annum.

STATEMENT OF QUALIFICATIONS UNDER 11 U.S.C. § 109(c) - 1

1 4. The City desires to effect a plan to adjust its debt.

2 5. Prior to filing its Chapter 9 petition:

3 a. The City negotiated in good faith with CHH. The parties
4 mediated the dispute during 2022 and 2023 and exchanged settlement offers in
5 September 2024, prior to the arbitration which led to the entry of the Judgment.
6 Furthermore, since the arbitration award on November 5, 2024 which led to the
7 Judgment, the City repeatedly reached out to CHH with a request to mediate with a
8 bankruptcy judge or other qualified Chapter 9 mediator regarding the terms of a
9 plan of debt adjustment. At first, CHH either outright refused to mediate, or
10 conditioned CHH's participation on conditions that were either impossible or
11 imprudent for the City to meet. The City made an offer of a payment plan to CHH
12 on December 16, 2024 that CHH refused to counter. For months after the
13 arbitration award, CHH never indicated a willingness to accept less than the full
14 amount of its Judgment, and it never indicated how it expects the City to pay the
15 Judgment from its limited resources, which are a matter of public record.

16 b. CHH finally agreed to mediate with bankruptcy practitioner
17 Al Smith of Perkins Coie. In-person mediation sessions were held on March 24,
18 2025, April 17, 2025, and June 16, 2025, and the mediator continued to
19 communicate with the parties in between sessions and thereafter. The City
20 believes it has made its best offer given its limited resources and unwillingness to
21 burden the City in a way that will require curtailing city services or raising taxes to
22 a level that will drive residents and businesses out of the City.

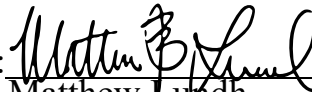
23 c. On May 28, 2025, while the parties were still mediating, CHH
24 obtained writs of garnishment in the amount of \$232,500 each against three
25 separate banks. CHH mailed these so that they were received by the banks on or
26 about June 9, 2025.

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1 d. Any further negotiations with CHH are impracticable because
2 CHH has garnished necessary City funds, and the City already has limited funds
3 with which to continue City services while defending itself from CHH and to
4 prosecute this case with the opportunity to propose and confirm a plan of debt
5 adjustment that is feasible.

6
7 DATED: June 24, 2025.

CITY OF CLE ELUM

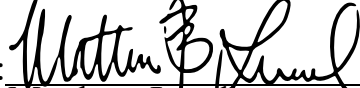
8 By: 
9 Matthew Lundh
Mayor

10
11 **DECLARATION UNDER PENALTY OF PERJURY**
12 **ON BEHALF OF A MUNICIPALITY**

13 I, Matthew Lundh, Mayor and authorized agent of the City of Cle Elum,
14 declare under penalty of perjury that I have read the foregoing Statement of
15 Qualifications Under 11 U.S.C. § 109(c) and that it is true and correct to the best of
16 my knowledge and belief.

17 DATED: June 24, 2025.

CITY OF CLE ELUM

18 By: 
19 Matthew Lundh
Mayor

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STATEMENT OF QUALIFICATIONS UNDER 11 U.S.C. § 109(c) - 3

1 **CERTIFICATE OF SERVICE**

2 The undersigned hereby certifies that on the date listed below, I caused to be
3 electronically filed the foregoing document with the Clerk of the Court using the
4 CM/ECF system, which will in turn automatically generate a Notice of Electronic
5 Filing to all parties in the case who are registered users of the CM/ECF system.
6 The Notice of Electronic Filing specifically identifies the recipients of electronic
7 notice.

8 DATED: June 24, 2025.

9 STOEL RIVES LLP

10
11 /s/ John S. Kaplan

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